

Gujarat State Petroleum Corporation Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	180.00 (Enhanced from 175.00)	CARE AA (RWP)	Continues to be on Rating Watch with Positive Implications
Long-term / Short-term bank facilities	9,756.00 (Reduced from 9,761.00)	CARE AA (RWP) / CARE A1+	LT rating continues to be on Rating Watch with Positive Implications and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has continued the rating on long-term bank facilities of Gujarat State Petroleum Corporation Limited (GSPC) on 'Rating watch with Positive Implications' while reaffirming the rating on short term bank facilities. Continuation of rating watch considers proposed scheme of amalgamation of GSPC with Gujarat Gas Limited (GGL; rated CARE AAA; Stable/CARE A1+). CARE Ratings had earlier placed the long-term rating of GSPC under watch in September 2024 following the announcement for amalgamation of GSPC with GGL.

The proposed scheme includes amalgamation of GSPC and two group entities; Gujarat State Petronet Limited (GSPL; rated CARE AA+ (RWD) / CARE A1+, India's second largest natural gas transmission company) and GSPC Energy Limited (GEL) with GGL (India's largest city gas distribution [CGD] company) and subsequent demerger of gas transmission business into separate listed entity - GSPL Transmission Limited (GTL), subject to necessary approvals from shareholders and stakeholders including stock exchanges, the Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA) and other regulatory authorities as may be required. The company has received required approvals from SEBI and stock exchanges. The scheme is now expected to be completed by September 2025. Upon implementation of the scheme, GSPC's shareholders will receive shares of GGL, and subsequently, GGL's shareholders will receive shares of GTL based on the approved swap ratio for their holding in the company, while GSPC shall cease to exist. Upon the completion of restructuring, Government of Gujarat (GoG) shall directly hold ~26% equity stake in GGL and the resultant entity, GTL. GoG, and other GoG entities, is expected to hold ~55% equity stake in GGL and GTL.

The scheme of amalgamation is expected to eliminate cross holdings in the group companies, simplifying GSPC group shareholding structure; eliminate related party transactions between GSPC and GGL, enhance business synergies and improve efficiency with optimum utilisation of resources. The proposed amalgamation is expected to consolidate the CGD and trading business of the group under GGL, which is expected to result in improvement in the scale of operations and profitability for resultant GGL. CARE Ratings would continue to monitor developments in this regard and will take a view on the ratings once the merger is completed.

Reaffirmation of ratings assigned to bank facilities of GSPC continue to derive strength from GSPC group's strong presence across segments of the natural gas energy value chain. The credit profile of GSPC continues to factor in company's strong position in the natural gas trading business with favourable long-term growth prospects. Ratings also continue to factor in strong financial risk profile with nil fund-based debt as on December 31, 2024. Ratings also derive comfort from its strong liquidity and financial flexibility from the large market value of its investments in GSPL and indirect investment in GGL along-with majority ownership by the Government of Gujarat (GoG), which has demonstrated strong support to the company in the past.

However, the long-term rating is constrained considering inherent risks associated with its gas trading business and susceptibility of gas trading volumes to movement in gas prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Improvement in gas trading volume to more than 16 million metric standard cubic metres per day (MMSCMD) along with improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin over 9% on a sustained basis.

Negative factors:

- Gas trading volume falling below 9 MMSCMD on a sustained basis.
- Moderation in the profitability margin, marked by a PBILDT margin of less than 7% on a sustained basis.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

- Significant investment in oil and gas exploration and production (E&P) assets or a significant impairment in E&P assets, having an adverse impact on its net worth base.
- Moderation in its capital structure marked by total debt/PBILDT of more than 1x and significant moderation in its debt coverage indicators on a sustained basis.

Analytical approach: Standalone

Detailed description of key rating drivers

Key strengths

Strong presence of GSPC group across the natural gas energy value chain

In the past, GSPC was focused on gas trading and exploration, development and production of oil and natural gas, however, it has now largely exited the E&P business. GSPC, its subsidiaries and affiliates has evolved as an integrated energy company with a presence across the natural gas business value chain spanning natural gas trading, setting up liquefied natural gas (LNG) terminals, gas transmission pipeline infrastructure, CGD, gas-based power generation, and a small presence in E&P activity.

Established gas trading business with favourable long-term growth prospects

GSPC has a presence in the gas trading business since 2004 and is considered India's second-largest gas marketing company. It is a leading player in natural gas in Gujarat, which is the highest gas-consuming state in the country with almost 40% of the total natural gas consumption in India. The share of natural gas in the total energy consumption of Gujarat stood at a significantly high level of ~25% compared to ~7% share of natural gas in India's total energy consumption. The Government of India (GoI) has plans to increase the share of natural gas in India's energy mix to ~15% by 2030 with an aim to convert India into a 'gas-based economy'. Hence, the demand growth is expected to come from the transport, residential, and energy sectors. Natural gas is expected to meet this growing demand for clean, affordable energy with limited deployment of capital and a significant reduction of emissions, reflecting favourable long-term growth prospects.

Comfortable capital structure; moderation in operating profitability in FY24

GSPC continue to have nil external debt as on December 31, 2024. CARE Ratings understands that the company has no plans to avail long-term debt and shall utilise only working capital limits (mostly non-fund-based), which is expected to ensure sustained comfortable capital structure.

In FY24, the PBILDT margin moderated to 6.31% (FY23: 11.80%). Decline in margin stood in line with anticipation. In 9MFY25, PBILDT margin stood at 7.05% which is in line with the historic trend. In FY23, healthy demand from fertilizer companies and a substantial rise in natural gas prices in the spot market amidst continued receipt of its contracted imported gas volumes at long-term pricing formula, which was lower than prevailing spot gas prices resulted in better margins for the company. The demand from the CGD segment, which had declined in FY23 in view of higher gas prices, improved in FY24. Demand continued to remain healthy in 9MFY25 supported by higher demand from power plants and CGD segment, especially in Q1FY25.

Strong financial flexibility derived from GSPC's investment in GSPL

GSPC also derives strong financial flexibility by virtue of its equity investment in GSPL, having a market value of ~₹5,796 crore as on February 28, 2025, against no fund based outstanding debt as on March 31, 2024. Going forward, with GSPC's merger with GGL and subsequent demerger of gas transmission business into GTL, this cross holding would no longer remain.

Strong parentage of GoG along with demonstrated support

GSPC is a state-owned entity promoted by the GoG. As on March 31, 2024, GoG held ~94% equity stake, 55.65% directly and the balance stake indirectly through other GoG-owned entities. The GoG has provided need-based financial support to GSPC in the past. As per GSPC's earlier debt rationalisation plan, GoG, via Gujarat State Investments Limited (GSIL), had infused ₹6,000 crore equity in GSPC and had also taken over GSPC's non-convertible debentures (NCDs) of ₹6,000 crore along with its debt servicing obligation w.e.f. April 01, 2018.

Liquidity: Strong

The company had free liquidity of ~₹2,200 crore as on February 26, 2025, against nil external borrowings on books. The company registered healthy cash flow from operations of ₹1,443 in FY24. The company had a comfortable current ratio of 1.62x as on March 31, 2024. The company had a negative operating cycle for two years ended FY24. GSPC largely requires non-fund-based working capital limits for its gas sourcing, where also utilisation stood comfortable at ~62% for 12-months ended January 2025.

There is nil utilisation of its sanctioned fund-based working capital limits of ₹750 crore, and accordingly, its unutilised working capital limits are expected to be adequate to meet its working capital requirements in the next year.

Key weaknesses

Susceptibility of gas trading volume to movement in gas prices

The demand for natural gas is linked to its price movement and that of alternative fuels used in industries. With significant increase in natural gas prices in the recent past years, GSPC's gas trading volume declined. Total gas trading volume stood at 11.07 MMSCMD in FY24 against 11.52 MMSCMD in FY23 and 15.12 MMSCMD in FY22. The gas trading volume improved to 13.13 MMSCMD in 9MFY25 supported by higher demand from power plants and CGD segment, especially in Q1FY25.

Inherent risks associated with the gas trading business, where, operating profitability is moderate

Of GSPC's total gas trading volume, ~50% is procured by way of imports under long-term agreements, and ~30%-35% is procured from domestic sources under short- to medium-term agreements, and the balance is imported on a spot basis. GSPC recently entered long-term agreements for 10 years with Total Energies for procurement of 0.4 million tonnes of LNG per year from mid-2026. Around 65% of its sourcing volume is under the take-or-pay arrangement. GSPC also has a back-to-back sales arrangement for ~40-50% of its gas trading volume with CGD companies, whereas the balance is sold to companies in fertilizer and other industries. In FY23, considering increase in gas prices in the spot market, a few suppliers of natural gas in the international market moved away from their contractual commitments under long-term supply agreements by paying marginal penalties. However, GSPC largely received its committed gas volume under its long-term sourcing agreements in FY23. Its sales volume to CGD companies declined in FY23 due to higher gas prices. GSPC is exposed to risk factors associated with its gas trading business, where, the operating profitability margin remain moderate in the range of 7% to 10%. GSPC, with its long-standing experience in this business, has been able to effectively handle these risk factors until now.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas & consumable fuels	Gas	Trading - gas

Incorporated in 1979, GSPC is a GoG undertaking. At present, GoG and its other entities hold over a 90% equity stake in GSPC. On a standalone basis, GSPC is mainly engaged in the gas trading business, whereas through its subsidiaries and joint ventures (JVs) and affiliates, it has evolved as an integrated energy company with a significant presence across the gas value chain spanning from import of gas, LNG terminal, gas transmission, CGD and gas-based power plants. GSPC is engaged in the gas marketing business since 2004 and is India's second-largest gas marketing company. It sources gas and supplies to customers across several industries such as CGD, fertilizers and power generation among others.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	27,741	18,530	15,716
PBILDT	3,275	1,169	1,107
PAT	2,987	1,242	1,029
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	13.16	53.08	304.23

A: Audited; UA: Unaudited; NA: Not available; Financials are classified as per CARE Ratings' standards.

Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	180.00	CARE AA (RWP)
Non-fund-based - LT/ ST-BG/LC		-	-	-	9756.00	CARE AA (RWP) / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating History			
			Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (30-Mar-23) 2)CARE AA-; Stable (07-Oct-22)	-
2	Fund-based - LT-Cash Credit	LT	180.00	CARE AA (RWP)	1)CARE AA (RWP) (09-Sep-24)	1)CARE AA; Stable (09-Oct-23)	1)CARE AA-; Positive (30-Mar-23) 2)CARE AA-; Stable (07-Oct-22)	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	9756.00	CARE AA (RWP) / CARE A1+	1)CARE AA (RWP) / CARE A1+ (09-Sep-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23)	1)CARE AA-; Positive / CARE A1+ (30-Mar-23) 2)CARE AA-; Stable / CARE A1+ (07-Oct-22)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments / facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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